

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF SOUTH CAROLINA

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U.S. BANKRUPTCY COURT
DISTRICT OF SOUTH CAROLINA

In re:)
) B/K Case No. 02-02622-W
THE LONG TERM CARE FOUNDATION,)
) Chapter 7
Debtor.)
_____)

TO: All Creditors and Parties in Interest

**NOTICE AND APPLICATION FOR SALE OF PROPERTY AND TO ASSUME AND
ASSIGN LEASES AND/OR EXECUTORY CONTRACTS**

YOU ARE HEREBY NOTIFIED that the Trustee in this case is applying for approval to sell the property of the debtor's estate described below according to the terms and conditions stated below, and to assume and assign certain unexpired leases and executory contracts.

TAKE FURTHER NOTICE that any response, return and/or objection to this application, should be filed with the Clerk of the Bankruptcy Court no later than 20 days from service of the motion/application and a copy simultaneously served on all parties in interest.

TAKE FURTHER NOTICE that no hearing will be held on this application unless a response, return and/or objection is timely filed and served, in which case, the Court will conduct a hearing on **December 3, 2002 at 9:30 o'clock a.m.** in the J. Bratton Davis United States Bankruptcy Courthouse, 1100 Laurel Street, Columbia, South Carolina, 29201. No further notice of this hearing will be given.

TYPE OF SALE: Private

PROPERTY TO BE SOLD: The estate's interest in certain facilities, commonly referred to as Ashley Terrace and Ashley Crossing (the "Facilities"), together with their associated assets, including, without limitation, personal property relating to the Facilities, provider agreements, licenses and unexpired leases and executory contracts. The Facilities are located in Charleston, South Carolina.

A list of the unexpired leases and executory contracts to be assumed and assigned as part of this transaction, as well as the underlying Asset Purchase Agreement are quite voluminous, and will be provided to any party making a written request upon the undersigned.

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NOTICE: THE TRUSTEE IS SELLING THE ABOVE-REFERENCED PROPERTY "AS IS," WITH NO WARRANTIES WHATSOEVER. THE BUYER AGREES TO RECEIVE THE PROPERTY WITH ALL FAULTS. THE TRUSTEE MAKES NO WARRANTY, EXPRESS OR IMPLIED, REGARDING THE PROPERTY, AND SPECIFICALLY EXCLUDES ANY IMPLIED WARRANTY OF MERCHANTABILITY AND ANY IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR USE. PROPERTY TO BE CONVEYED BY QUIT CLAIM DEED OR BILL OF SALE.

THE BUYER HAS BEEN GIVEN THE OPPORTUNITY TO EXAMINE THE PROPERTY BEFORE SIGNING ANY CONTRACT OR SUBMITTING A BID TO PURCHASE THE PROPERTY, AND TO PERFORM SUCH TESTING, IF APPLICABLE, TO DETECT POSSIBLE LATENT DEFECTS.

PRICE:\$3,500,000.00, of which the estate will receive \$40,000.00. The balance of the proceeds being used to pay normal seller's closing costs and to pay the remaining to The Bank of New York, as Indenture Trustee and CareAlliance Health Services in amounts that will be decided by those parties or by a separate Order of this Court.

APPRAISAL VALUE: Based upon current market conditions, the Trustee has been informed and believes that the purchase price is equal to the appraised value.

The Trustee proposes that the following procedures and provisions be adopted for the sale:

(a) Any proposals from any potential purchasers other than the Buyers to purchase the assets stated in the Agreement shall (1) be made in writing; (2) contain equivalent terms and conditions as the Agreement, other than the identity of the purchaser and the amount of the purchase price; (3) exceed the Purchase Price by at least Two Hundred Thousand Dollars (\$200,000.00); (4) contain, as an earnest money deposit, certified funds of at least \$100,000.00; (5) include evidence satisfactory to the Trustee of the financial ability of the person or entity submitting the proposal to consummate the purchase; and (6) be delivered to the Trustee and the Buyers no later than the close of business of the fifth business day preceding the scheduled hearing on the Application.

(b) Upon receipt of any proposal that conforms to the conditions stated in paragraph (a) hereinabove, the Buyers shall have the unconditional right to submit an overbid proposal by delivering to the Trustee no later than the beginning of the hearing on the Application an amended Agreement in which the Buyers' amended purchase price exceeds such proposal by a minimum of Fifty Thousand Dollars (\$50,000.00). However, any higher offers specified in such amended Agreement itself shall be subject to the Trustee's acceptance of a still higher and better offer submitted during the auction sale at the hearing on the Application in compliance with this section; provided, however, that such higher and better offer shall equal the sum of: (1) the

purchase price under the amended Agreement; plus (2) an additional amount of at least Fifty Thousand Dollars (\$50,000.00)(a "Higher Offer"). In the event of a Higher Offer, the process set forth in the immediately preceding sentence shall continue, with the Buyers having the continuing right to submit an overbid proposal, unless and until such time as the Buyers or other offeror elect not to make a further bid.

(c) In the event that any other person or entity obtains the assets other than due to a breach of the Agreement by the Buyers, the Buyers shall be entitled to compensation in the amount of double the Buyers' out-of-pocket expenses (to compensate for internal costs, for which payment is not made to an outside service provider) incurred in this matter, up to Two Hundred Thousand Dollars (\$200,000.00), subject to Court approval (the "Compensation Payment"), which amount shall be paid from the sale proceeds otherwise distributable to the Hospital¹ and The Bank of New York, as Indenture Trustee. This Compensation Payment shall serve as compensation for the Buyers' expenses in entering into the Agreement, and for the benefit to the Trustee that the Agreement created in attracting other bids over and above the Purchase Price, which benefit the Trustee acknowledges.

(d) Any successful bidder at the auction shall be required to pay at the auction in certified funds, an earnest money deposit equal to \$100,000.00. As such, in order to ensure that a bidder's offer is accepted, bidders shall bring to the auction certified funds in an amount equal to \$100,000.00.

(e) The Trustee will request that the Court approve a "back up" bid, if one is received. This "back up" bid will be consummated by the parties without the necessity of obtaining another order from this Court if the successful bidder is unable to close on or before December 5, 2002.

(f) If for any reason the bidder whose bid was deemed highest and accepted at the hearing on the sale (the "Winning Bidder") is unable or unwilling to close the transaction within the time frame contemplated herein, and the back up bidder consummates the sale, the Winning Bidder shall be liable for any deficiency between the Winning Bidder's bid price and the back up bid price. Further, the Winning Bidder shall remain liable for any shortfall which remains after application of its earnest money towards this deficiency.

¹ The "Hospital" refers to Carealliance Health Services, a South Carolina nonprofit corporation, which owns the real estate leased by the debtor for the Facilities.

BUYER: Mid-South Health Care Associates, LLC

(Buyer has no relationship with LTCF, past or present, except that one of its Board members, Jerry Mooney was a former director and officer of ServiceMaster Diversified Health Services (formerly VHA Long Term Care), which formerly managed the Facilities; none of Buyer's present or former officers and directors were officers and directors of LTCF. Therefore, Buyer is a good faith purchaser for value who has no interest in this case, and no relation with the debtor).

SALES AGENT/AUCTIONEER/BROKER: Marcus & Millichap, 18911 Swanhaven Court, Davidson, North Carolina, 28036; Telephone number 704-896-5800. Please contact this agent with questions regarding the sale.

COMPENSATION TO SALES AGENT/AUCTIONEER/BROKER: \$105,000.00 = 3% of purchase price.

ESTIMATED TRUSTEE'S COMPENSATION: Reasonable compensation to be determined by the court, but not to exceed the limits set forth in 11 U.S.C. § 326(a), which amount shall be included in the Proceeds Estimated to Be Paid to Estate as set forth below.

LIENS/MORTGAGES/SECURITY INTERESTS ENCUMBERING PROPERTY: To the best of the Trustee's knowledge and belief, the Debtor is obligated to The Bank of New York, as Indenture Trustee, in an amount in excess of \$3,500,000.00 which debt is secured by the facilities' assets. The real property being sold is also subject to an ownership interest in CareAlliance Health Services. The Bank of New York, as Indenture Trustee and CareAlliance Health Services will divide the net proceeds of the sale after the payment of \$40,000 to the Estate and normal seller's closing costs. The division of these proceeds will be by agreement of the parties or by a separate Order of this Court.

The Trustee is not aware of any other liens, judgments or encumbrances against the Facilities and accompanying assets. The Buyer has been given an opportunity to perform its own due diligence to determine the existence of any other liens against this property. Except as otherwise provided in the Asset Purchase Agreement, the Buyer is purchasing this property subject to any other liens and agrees to bring current (as applicable) and provide adequate assurance of future performance to the unexpired leases and executory contracts being assumed by it.

DEBTOR'S EXEMPTION: n/a

PROCEEDS ESTIMATED TO BE PAID TO ESTATE: \$40,000

Please be advised that a Notice of Sale for the subject property was served on all parties of interest on September 20, 2002. Due to contingencies in the Asset Purchase Agreement not being fulfilled, the Agreement and the Notice were withdrawn. An Order Approving the Sale was not entered by this Court. This Notice reflects an agreement with a new Buyer.

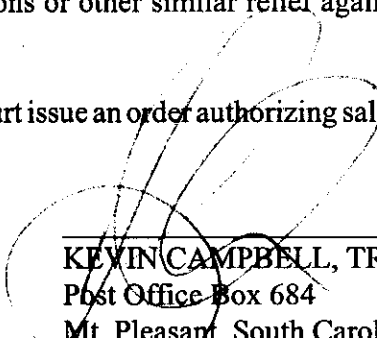
Applicant requests that the ten (10) day stay pursuant to Fed.R.Bankr.P. 6004(g) be waived in this matter and that upon the entry of the Order the Trustee be allowed to immediately enforce and implement the terms of said Order.

The Trustee is informed and believes that it would be in the best interest of the Estate to sell said property by private sale. The Trustee also believes that the funds to be recovered by the Estate from the sale of said property justify its sale and the filing of this application.

The Court may consider additional offers at any hearing held on this notice and application of sale. The Court may order a any hearing that the property be sold to another party on equivalent or more favorable terms.

The Trustee may seek appropriate sanctions or other similar relief against any party filing a spurious objection to this notice and application.

WHEREFORE, applicant requests the Court issue an order authorizing sale of said property and such other and further relief as may be proper.



KEVIN CAMPBELL, TRUSTEE
Post Office Box 684
Mt. Pleasant, South Carolina 29465
(843) 884-6874/884-0997(fax)
District Court I.D. No. 30

Mt. Pleasant, South Carolina
This 1 day of November, 2002.